

**Testimony of Doug Cardoni**  
**Chief Administrative Officer, Credit Funds, Fortress Investment Group LLC**  
**Before the Connecticut Insurance and Real Estate Committee**  
**February 26, 2013**

Thank you Chairmen Crisco and Megna and members of the Committee. My name is Doug Cardoni and I am the Chief Administrative Officer for the Credit Funds at Fortress Investment Group. Fortress is an asset manager that invests and manages assets primarily on behalf of pension funds, university endowments, and charitable foundations. In fact, we currently manage over \$1.0 billion for Connecticut investors. We also have over 700 employees in the state of Connecticut and for the last few years my family has rented a cabin on Candlewood Lake each summer, so I have a personal connection.

I am here today to urge the Committee to vote for Bill 953. This bill is intended to protect all consumers of life insurance. As I'm sure you know, the life insurance industry is quite competitive. Life insurers compete, and more importantly, consumers shop, almost exclusively on price. Consumers basically look to see if they've heard of an insurance company, and then - of those companies whose names they recognize - they pick the company with the cheapest premium. It's more or less the same as renting a car at the airport. What most consumers don't know is that many life insurance companies have placed language into policies that purportedly allows the insurer to raise those premiums the consumers relied upon *after* a policy is already in effect - sometimes years after its issuance (when it is much more difficult, and often much more expensive, to get another policy). Specifically, the language in the policy states that the insurer can raise the "cost of insurance" (COI) rate for the policy, which, in turn, can tremendously

increase the premium payments owed from the original rates – rates upon which the consumers no doubt relied upon when they purchased the policy. The good thing is that this type of increase is very rare – the bad thing is that is typically seized upon by insurance companies that have made mistakes in other lines of business to help them generate additional cash.

Proposed Bill 953 helps to address this problem by simply requiring life insurers to disclose clearly and explicitly that the rates they are touting may in fact go up - instead of that language being buried in technical language hidden deep within a policy. The notice required under the current proposed bill is remarkably easy. This language may enable consumers to ask the proper questions – Whether a company has previously done this? When? Why? Does it plan to do it again? And it allows the consumer to make a more informed choice.

The reason we're in Connecticut proposing this bill is that Phoenix Life Insurance Company – based right here in Hartford – is currently imposing illegal rate increases on their policies.

The conduct of Phoenix hit our radar screen because we manage a block of insurance policies that we recently purchased for our investors from other banks and investors that needed to sell them. A number of the policies that we own were issued by Phoenix between 5 and 9 years ago.

Two years ago, Phoenix started sending letters to policyholders telling them that their premiums rates were increasing dramatically. Amazingly, Phoenix didn't, and still hasn't, told any of the policyholders *why* it raised rates.

Now, Fortress is a large asset manager, and we have the resources to look after ourselves. And despite hiring lawyers to contact Phoenix and eventually suing them for almost a year and a half, we are just now beginning to obtain information from Phoenix about these illegal increases. If Phoenix can take advantage of policyholders with the stomach to fight in court and resources like us and, just think what they will do to normal consumers if their business continues to wither.

The average consumer does not have the resources we do. I'm quite certain most consumers have never even heard of the ability of insurers to raise the "cost of insurance" after a policy has been issued and have their rates could go up from what they originally agreed to. Consumers certainly don't have the resources to fight a protracted battle against a company like Phoenix.

During this hearing, and in the hallways, you will hear people talking about things like STOLI and investors who "gamble" on the lives of others, but those are just red herrings. The life insurance industry will use those sideshows to try and hide their actual behavior. You may also hear people talk about investors trying to lock in profits – read the language - this bill has nothing to do with that.

This legislation is important for consumers and it's important for Connecticut. I urge support of Bill 953.